

REPORT ON EXAMINATION
OF
MAKE TRANSPORTATION INSURANCE, INC., A RISK RETENTION GROUP
AS OF
DECEMBER 31, 2019

Office of the
Commissioner



Delaware
Department of Insurance

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The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in blue ink, reading "Trinidad Navarro".

Trinidad Navarro
Insurance Commissioner

Dated this 2 day of June, 2021

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May 14, 2021

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
1351 West North Street
Suite 101
Dover, Delaware 19904-2465

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 20.042, dated February 15, 2021, an examination has been made of the affairs, financial condition and management of

MAKE TRANSPORTATION INSURANCE, INC., A RISK RETENTION GROUP

hereinafter referred to as the Company or MAKE. MAKE was incorporated under the laws of the State of Delaware as a risk retention group with its registered office located at 1313 North Market Street, 12th floor, Wilmington, Delaware 19801. The administrative office of the Company is located at 360 Concord St., Suite 106, Charleston, South Carolina 29401. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our examination of MAKE. The last examination was conducted as of December 31, 2014, by the Delaware Department of Insurance (Department). This examination covered the period of January 1, 2015 through December 31, 2019. We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial*

Condition Examiners Handbook (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, Cover & Rossiter. Certain auditor work papers of the 2019 audit of the Company have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes in financial statements as a result of this examination.

COMPANY HISTORY

MAKE was incorporated in the State of Delaware on March 29, 2006. The purpose and activity of the risk retention group is the assuming and spreading of liability exposures as provided by 18 *Del. C.* § 69 “Captive Insurance Companies” and 18 *Del. C.* § 80 “Risk Retention Act” of the Delaware Insurance Code and the “U.S. Liability Risk Retention Act of 1986”.

Chapter 65, 15 USCS Section 3901(4) (E) of the Federal Statutes indicate that a “Risk Retention Group” must have “as its owners only persons who comprise the membership of the Risk Retention Group and who are provided insurance by such group.” Therefore, ownership is necessary to obtain insurance coverage from the Company.

The Company’s Certificate of Incorporation authorizes the issuance of 1,000 shares of \$.01 par value common stock. As of December 31, 2019, the Company had 960 shares outstanding, all with its sole shareholder, Sunset Carriers, Inc. (Sunset).

Capitalization

MAKE is required to maintain a minimum capital and surplus of \$1,000,000, which is the minimum amount required of a risk retention group under the insurance laws of the State of Delaware 18 *Del. C.* § 6905(a). The Company was initially capitalized with \$1,101,833, which included the minimum required capital and surplus of \$1,000,000. As of December 31, 2019, the Company reported policyholder surplus of \$2,529,581.

Dividends

On December 6, 2017, the Department approved an ordinary dividend of \$60,000 to be

paid to MAKE's shareholders. The Company's Board of Directors (Board) declared the dividend on December 12, 2017, to be distributed based on each shareholder's percentage of ownership at the time.

MANAGEMENT AND CONTROL

Directors

Pursuant to the General Corporation Law of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, all corporate powers of the Company and its business, property and affairs are managed by or under the direction of the Board. The Board shall consist of at least one (1) or more members (Directors), the number thereof to be determined from time to time by the Board at the annual meeting of the shareholders. As of December 31, 2019, MAKE's Board was comprised of the following three (3) Directors:

<u>Name</u>	<u>Title</u>
Kent J. Lisenby	Director, President, owner of Sunset Carriers, Inc. and owner of The Lisenby Law Firm, P.C.
Laura L. Burks	Director and Treasurer
Jeffrey K. Simpson	Delaware Resident Director

Officers

Officers were elected by the Board in accordance with the bylaws during the period under examination. The following Officers were elected and served as of December 31, 2019:

<u>Name</u>	<u>Title</u>
Kent J. Lisenby	President
Laura L. Burks	Treasurer
Patrick G. Theriault	Secretary

Corporate Records

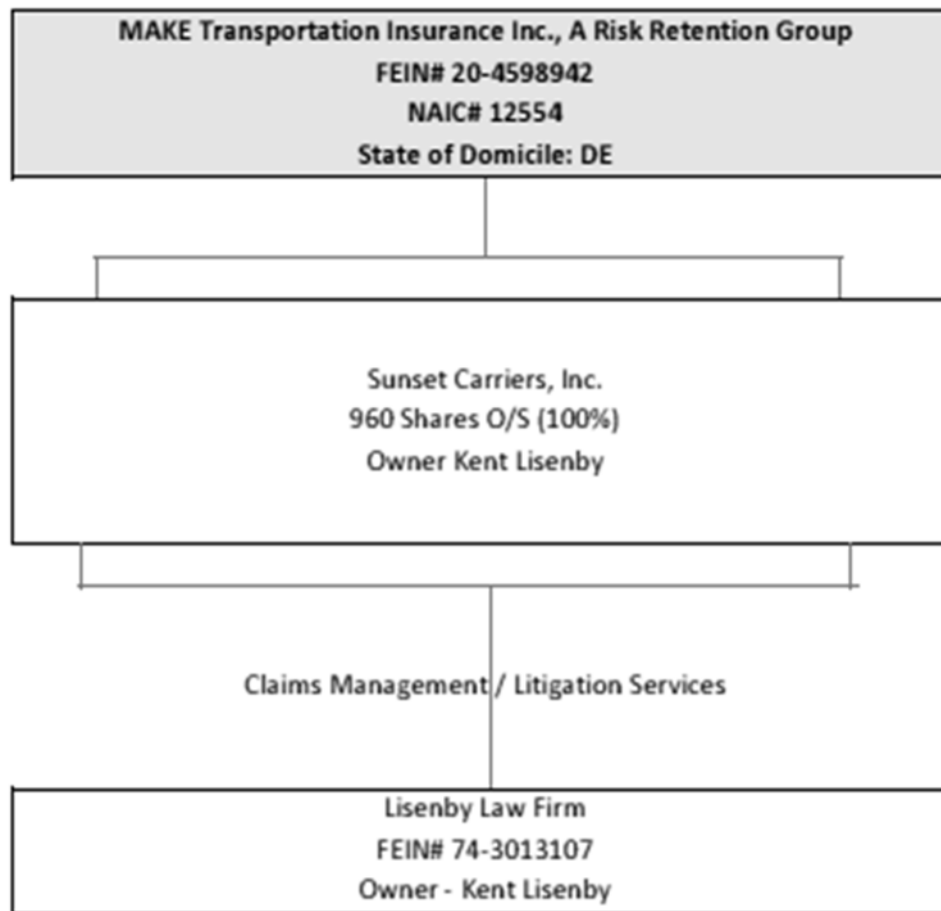
The recorded minutes of the Shareholders and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and

approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* § 1304.

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined under 18 *Del. C.* § 5001 of the Delaware Insurance Code. As noted above, because MAKE operates as a risk retention group, it is owned by shareholders who are insureds of the Company. As of December 31, 2019, the Company's sole shareholder was Sunset. Sunset is 100% owned by Kent Lisenby, Company President and Board member.

The following diagram reflects MAKE's insurance holding company organizational structure as of December 31, 2019:



Agreements with Affiliates

The following affiliated agreements within MAKE's organizational structure were identified and in effect as of December 31, 2019:

Tax Allocation Agreement

Effective October 7, 2010, MAKE entered into a tax allocation agreement with Sunset. Per the agreement, each member that is part of the tax allocation agreement shall either pay to or receive its separate tax liability or reimbursable separate tax claim and/or tax credits. Sunset pays and/or receives from the Internal Revenue Service any federal income tax liabilities and refunds.

Contract of Employment of Attorney

An updated and renewed service agreement, known as the Contract for Employment of Attorney, was entered into with Lisenby Law Firm on June 1, 2019. Under the agreement, Lisenby Law Firm provides claims handling and litigation services for and on behalf of the Company. The agreement is for the period from June 1, 2019 to May 31, 2020. Under the terms of the agreement, the Company pays Lisenby Law Firm allocated loss expenses for claims litigation by the director, Kent Lisenby, no more than \$200,000 per year, paid in monthly installments. The paralegal/claims manager receives fixed administrative costs of \$52,000 a year base salary, plus employee benefits, which is also paid in monthly installments. Allocated loss expenses for claims litigation services in 2019 totaled \$159,667.

Lease Agreement

Effective February 1, 2014, the Company entered into a lease for office space with KEAL Holdings, which is owned by Kent Lisenby, for \$3,750 a month (\$45,000 a year). The lease has a twelve-month term and is renewed annually.

First Modification Agreement to the Subscription and Stockholders Agreement for Sunset

The first modification to the Subscription and Stockholders Agreement between MAKE and Sunset, is a result of the Company not writing business any longer, on or about June 30, 2018. Each insured that had entered into the original agreement dated April 17, 2006, had their membership terminated while the Company is in run-off and their shares transferred to the Company for no consideration.

TERRITORY AND PLAN OF OPERATION

MAKE provides commercial trucking and auto liability coverage in Texas only and was registered in the State of Texas as a foreign RRG on May 22, 2006. The Company was created to

better manage their commercial trucking liability exposure by a small group of affiliated Texas commercial trucking companies, specializing in the hauling of raw and manufactured aggregate, including rock, cement, cement pipe, and sand.

As an RRG, MAKE issues occurrence basis commercial automobile liability insurance policies to its members with coverage options ranging from \$1,000,000 to \$2,000,000 per occurrence with no aggregates.

REINSURANCE

The Company reported no premiums written for the year ended December 31, 2019. The distribution of premiums written for the years ended December 31, 2019 and the prior examination date of December 31, 2014, are as follows:

	<u>2019</u>	<u>2014</u>
Direct Premiums Written	\$ -	\$1,914,966
Plus: Assumed Premiums		
Less: Ceded Premiums		
Affiliate		
Non-Affiliate		552,407
Net Premiums Written	<u>\$ -</u>	<u>\$1,362,559</u>

FINANCIAL STATEMENTS

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets and Liabilities as of December 31, 2019
- Statement of Income for the year ended December 31, 2019
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2014 to December 31, 2019

**Statement of Assets and Liabilities
As of December 31, 2019**

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 2,345,029		\$ 2,345,029
Cash	262,251		262,251
Cash equivalents	557,815		557,815
Subtotals, cash and invested assets	<u>\$ 3,165,095</u>	<u>\$ -</u>	<u>\$ 3,165,095</u>
Investment income due and accrued	11,019		11,019
Current federal and foreign income tax recoverable and interest thereon	306,085		306,085
Net deferred tax asset	1,013		1,013
Electronic data processing equipment and software	681		681
Furniture and equipment	210		210
Receivable from parent, subsidiaries and affiliates	612		612
Aggregate write-ins for other than invested assets:			
Prepaid Expenses and Other Receivables	12,402		12,402
Totals	<u><u>\$ 3,497,117</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,497,117</u></u>

		Notes
Losses	\$ 608,662	1
Loss adjustment expenses	303,439	1
Other expenses	49,500	
Taxes, licenses and fees	5,935	
Total liabilities	<u>\$ 967,536</u>	
Common capital stock	10	
Gross paid in and contributed surplus	1,195,995	
Unassigned funds (surplus)	1,333,576	
Surplus as regards policyholders	<u>\$ 2,529,581</u>	
Totals	<u><u>\$ 3,497,117</u></u>	

Statement of Income
For the Year Ended December 31, 2019

Premiums earned	\$ -
Losses incurred	\$ (436,046)
Loss adjustment expenses incurred	(48,466)
Other underwriting expenses incurred	214,235
Total underwriting deductions	\$ (270,277)
Net underwriting gain (loss)	\$ 270,277
Net investment income earned	57,064
Net realized capital gains or (losses)	4,604
Net investment gain (loss)	\$ 61,668
Net income before dividends to policyholders	\$ 331,945
Dividends to policyholders	-
Net income, after dividends to policyholders	\$ 331,945
Federal and foreign income taxes incurred	52,743
Net income	\$ 279,202

**Reconciliation of Capital and Surplus
For the Period from the Prior Examination
As of December 31, 2014 to December 31, 2019**

	Common Capital Stock	Gross Paid-in and Contributed Surplus	Unassigned Surplus	Total
12/31/14	\$ 10	\$ 1,195,995	\$ 569,201	\$ 1,765,206
12/31/15 (1)			144,271	144,271
12/31/16 (1)			312,971	312,971
12/31/17 (1)			371,073	371,073
12/31/17 (2)			(60,000)	(60,000)
12/31/18 (1)			(320,648)	(320,648)
12/31/19 (1)			316,708	316,708
12/31/19	<u>\$ 10</u>	<u>\$ 1,195,995</u>	<u>\$ 1,333,576</u>	<u>\$ 2,529,581</u>

(1) Represents net income, change in unrealized capital gains (losses), and change in net deferred income tax.

(2) Dividends to stockholders

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no changes made to the Financial Statements as a result of this Examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Losses	\$ 608,662
Loss Adjustment Expenses	\$ 303,439

The examination liability for the aforementioned captioned items of \$608,662 and \$303,439 are the same as reported by the Company as of December 31, 2019. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with Generally Accepted Actuarial Principles and Statutory Accounting Principles, including NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principle No. 55 (SSAP No. 55).

SUBSEQUENT EVENTS

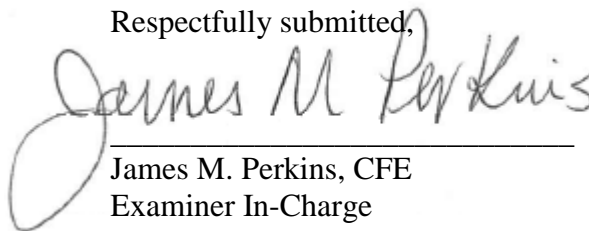
On June 25, 2020, the Department approved an ordinary dividend of \$260,000 paid to MAKE's sole shareholder (Sunset).

SUMMARY OF RECOMMENDATIONS

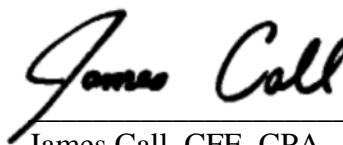
There were no recommendations as a result of this examination.

The assistance and cooperation of the Company's independent audit firm, Cover & Rossiter, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,

A handwritten signature in dark ink, reading "James M. Perkins". The signature is written in a cursive style with a large, looping initial "J".

James M. Perkins, CFE
Examiner In-Charge
Delaware Department of Insurance

A handwritten signature in dark ink, reading "James Call". The signature is written in a cursive style with a large, looping initial "J".

James Call, CFE, CPA
Supervising Examiner
Delaware Department of Insurance

I, James M. Perkins, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 20.042.


James M. Perkins, CFE